

VZCZCXRO8843  
OO RUEHROV  
DE RUEHJM #0358 0581620  
ZNR UUUUU ZZH  
O 271620Z FEB 08  
FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0713  
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY  
RUEHLO/AMEMBASSY LONDON PRIORITY 3980  
RUEHFR/AMEMBASSY PARIS PRIORITY 3836  
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 0428  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY

UNCLAS JERUSALEM 000358

SIPDIS

SENSITIVE  
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR GOLDBERGER/BELGRADE; EEB  
FOR DEMARCELLUS; NSC FOR PASCUAL; TREASURY FOR CONNOLLY;  
PARIS FOR DWYER  
PLEASE PASS TO USAID FOR BORODIN

E.O. 12958: N/A

TAGS: [EAID](#) [EFIN](#) [ECON](#) [PGOV](#) [KWBG](#)

SUBJECT: PA SAYS DONORS FAILED TO DELIVER IN FEBRUARY, PA  
NOW RUNNING OUT OF CASH

**¶11.** (SBU) At a meeting hosted by the World Bank on February 27, Ministry of Finance Director General Mazen Jadallah told a group of key donors that contributions to the Palestinian Authority (PA) have not materialized in February and the PA was running out of money. According to Jadallah, the PA received "ample" donor funds (about 460 million NIS (USD 128 million)) to cover PA expenses in January. Budget support that the PA expected in February, however, "did not materialize." Jadallah said only the EC (through its PEGASE mechanism) has delivered in February -- 195 million NIS (USD 54 million). He said that the EC's contribution was about 75 million NIS (USD 21 million) more than expected because the Netherlands and UK responded to urgent appeals for assistance.

**¶12.** (SBU) According to Jadallah, the Arab Gulf states provided no money in February, although he noted that Prime Minister Fayyad is currently on a tour in the region that "is going well." Jadallah said that February's cash crunch is exacerbated by lower than expected clearance revenues from Israel -- only about 170 million NIS (USD 47 million) -- due to high GOI withholdings for electricity payments. Jadallah told donors that the PA expects a 60-70 million NIS (USD 17-19 million) funding gap for February, which he said the PA intends to finance through private bank loans so that it can make its salary payments in the first week of March. Jadallah appealed again for donors to make good on Paris pledges to bring more predictability to PA fiscal planning. In all, given contributions to date, the PA is looking at a USD 400 million financing gap for 2008, concluded Jadallah.

**¶13.** (SBU) IMF Senior Resident Representative Joel Toujas-Bernate said the IMF and PA are cooperating on budget revisions that "reflect new assumptions," namely a revised shekel/dollar exchange rate (from 4.15 to 3.6 shekels/USD) and slower growth rates for the global, Israeli, and Palestinian economies. The decline in the dollar will add at least USD 100 million to the expected PA budget shortfall for 2008, said Toujas-Bernate.

WALLES